

Message Text

CONFIDENTIAL

PAGE 01 CARACA 10670 111516Z

41

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W
----- 082868

O 111435Z OCT 75
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 505

CONFIDENTIAL CARACAS 10670

EXDIS

EO 11652 &\$
5-& : ENRG VE
SUBJ: PETROLEUM REVERSION CREOLE

1. ON OCT 9, ROBERT DOLPH HAVE THE DCM AND ME A RUNDOWN
ON HIS NEGOTIATIONS AS THEY NOW STAND. THE FOLLOWING IS PRO-
PRIETARY INFO GIVEN TO THE EMBASSY IN CONFIDENCE AND NOT FOR
DISSEMINATION TO THIRD PARTIES.

2. DURING MOST OF THE LAST WEEK THE COMPENSATION BONDS HAVE
BEEN THE BIG ISSUE. PETROVEN ORIGINALLY OFFERED TO REDEEM THE
BONDS OUT OF ITS OWN CASH FLOW AS A MEANS OF PERSUADING FINANCE
MINISTER HURTADO TO GO ALONG WITH THE COMPANY'S SCHEME FOR
SELF-FINANCING THRU THE 10PERCENT PER BARREL FEE. HOWEVER, AFTER
RECEIVING THE FIGURES, PETROVEN PRESIDENT ALFONZO RAVARD DECIDED
THE MONEY WOULD NOT BE THERE. HURTADO FINALLY AGREED TO PICK UP
THE OBLIGATION, BUT REFUSED TO MAKE ANY PROVISION FOR REDEMPTIONS
IN THE 1976 BUDGET HE HAS ALREADY SUBMITTED TO CONGRESS.

3. THE GOV THEN PROPOSED THE FOLLOWING FORMULA: TAX-FREE,
DOLLAR-DENOMINATED, SIX PERCENT BONDS TO BE REDEEMED IN SIXTEEN
QUARTERLY INSTALLMENTS BEGINNING MARCH 31, 1977. CREOLE BALKED
AND AFTER SOME ANGRY BARGAINING THE NEGOTIATORS OFFERED AN ADDI-
TIONAL REDEMPTION IN JANUARY 1977 OF ONE-FIFTH OF THE BONDS.
ACCORDING TO DOLPH, THEY ALSO AGREED UNDER HEAVY CREOLE PRESSURE
TO ALLOW USE OF THE BONDS IN PETROLEUM PURCHASES ON THE 2.5 PERCENT
FORMULA. IN DOLPH'S CALCULATION, THE PAY-OUT WOULD BE COMPLETED
IN TWO AND ONE-HALF TO THREE YEARS, DEPENDING ON LIFTINGS AND HOW
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CARACA 10670 111516Z

THE GUARANTY FUND IS HANDLED. (ON THE OTHER HAND, IPC,

ANOTHER EXXON SUBSIDIARY, TOLD US THAT LAST NIGHT THE GOV NEGOTIATORS
WERE INSISTING THAT NO REDEMPTIONS THRU PETROLEUM PURCHASES
WOULD BE PERMITTED IN 1976-- AND WITH NO FIRM COMMITMENTS FOR
THE YEARS THEREAFTER.)

4. NO PROGRESS HAS BEEN MADE ON THE FEE FOR TECHNICAL SERVICES.
THE GOV HAS HELD FAST TO 15 CENTS. CREOLE IS NOW ASKING 20 CENTS.
DOLPH SAW NO SIGN OF GIVE AS YET BUT SAID HE WULD KEEP TRYING.
ON A QUESTION THAT COME UP DURING MY WASHINGTON CONSULTATIONS,
DOLPH CONFIRMED THAT CREOLE'S OFFER INCLUDES A DETAILED LISTING
OF TECHNICAL SERVICES TO BE RENDERED, INCLUDING A BREAKDOWN OF
THE MANHOURS INVOLVED. SALARIES OF ALL EXPATRIATE TECHNICIANS
ARE TO BE FOR PETROVEN'S ACCOUNT. PETROVEN IS TO HAVE FULL
CALL ON EXXON'S TECHNICAL RESOURCES-- OR "ACCESS" AS DOLPH
CALLED IT-- BUT PAYMENT FOR ANY SERVICE NOT SPECIFIED IN THE
CONTRACT IS TO BE NEGOTIATED SEPARATELY.

5. THE OTHER THORNY ISSUE IS THE PROPOSED QUIT-CLAIM CLAUSE
IN THE COMPENSATION AGREEMENT. IT WOULD PROVIDE THAT ON
SIGNATURE CREOLE(AND ALL THE OTHER COMPANIES) WILL HAVE NO
RECOURSE ON ANY MATTER RELATED IN ANY WAY TO THE NATIONALIZATION.
AMONG OTHER LARGER ISSUES, THIS RAISES THE QUESTION OF THE
GUARANTY FUND. CREOLE WOULD UNDER THESE CONDITIONS HAVE NO
MEANS OF DISPUTING DEDUCTIONS THE OGV MIGHT MAKE FROM ITS
CONTRIBUTION TO THAT FUND. DOLPH HAS CHALLENGED THE CLAUSE AND
HIS LAWYERS ARE DRAFTING ALTERNATE LANGUAGE.
SHLAUDEMAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, NATIONALIZATION, COMPENSATION, POLICIES, BUSINESS FIRMS, NEGOTIATIONS, BONDS (SECURITIES)
Control Number: n/a
Copy: SINGLE
Draft Date: 11 OCT 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CARACA10670
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750354-1049
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751060/aaaacbcc.tel
Line Count: 88
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 12 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 SEP 2003 by RowellEO>; APPROVED <09 OCT 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PETROLEUM REVERSION CREOLE
TAGS: ENRG, PFOR, VE, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006